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Entrepreneurship and Business Innovation in the Middle East

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Chapter 7

Succession Challenges Facing Family Businesses in Saudi Arabia

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ABSTRACT

The aim of this study is to examine how succession planning is carried out in family-owned businesses in Saudi Arabia. The study adopts a qualitative methodology which involves semi-structured, face-to-face interviews. The major findings of the research is that most of the family businesses in Saudi Arabia do not have a proper succession plan due mainly to socio-cultural issues such as mistrust and conflict of interest between the older and the younger members of the family and also subservience of women in the society generally. The implications of the study are discussed including a paradigm shift where women are encouraged and given the opportunity to get involved in the running of their family businesses.

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INTRODUCTION

Saudi Arabia is a very rich and big country in the Middle East, and currently the country is striving towards stability and growth which largely depends on public and private sectors. In the recent years the statistics for family business were high where in among the top 100 companies 45 companies were family owned businesses. Generally, 90 per cent of the businesses in Saudi are family-owned while only 5 percent were surviving the third generation and most of the companies which were successful were less than 65 years old. The total number of businesses operating in Saudi Arabia was 763,589 in 2009 (Ministry of Economy and Planning, 2009). The Saudi government is aware of the impact of such businesses to the economy of the country and hence has presented several methods of addressing this challenge that might affect both family and afterwards the economy of the nation. There are important issues that need to be differentiated in order to separate the businesses and the family loyalties, employing only the most competent family members as managers and the need to come up with resource to match with the best managerial practices.

The past decade has been characterized by the adoption of ‘Saudization’ and economic policy of localization that encourages local nationals to take up jobs and embark on running businesses that were owned by foreign nationals (AsadSadi & Henderson, 2007). This has to some extent led to benefits in developing opportunities for Saudi nationals, but also led to problems in having family members to run their family entities, especially those who have secured better jobs elsewhere. On a micro level, however, family businesses are a family property and are expected to benefit the family, thus control rests on family members, most notably the eldest male member, who makes all major decisions, often with little voices on the contrary (Nakauchi & Wiersema, 2014).

The history of family businesses in Saudi Arabia can be viewed from the traditional and cultural orientation of the country, where family bond and unity is highly regarded. The need to retain wealth in the family counts towards ensuring that the profile of the family is raised and this can be of importance even at the time of marriages. This implies that family property is to be entrusted to the most senior members of the family who, may be viewed with awe and assumed to have the experience for the same. This poses two challenges, first, succession issues, which must be shared among old members of the family and secondly, the challenge of having to pass the business to someone who may not be able to run the same (Nakauchi & Wiersema, 2014). Family enterprises are mainly concentrated in the fields of hospitality, services and retail, which tend to have high level of customer contact, thus increasing the importance of the owner (or patriarch), and indirectly poses new potential challenges when the owner is no longer able to remain active in the management of the business.

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It has been found that the rate of failure of family business in Saudi Arabia is staggering and the problem is that with such failure, business stability in the country is volatile as is the problem of sustaining employment (Wagner-Tsukamoto, 2008). The failure of family businesses in an economy that is largely run by family businesses is a worrying trend, but this speaks more about the internal management aspects of such entities. When businesses fail, joblessness increases, the family source of income is also affected and social vices may increase. This means that business failure is not just a simple issue as it impacts on the general economy of the whole country. There are many perspectives from which the situation of family business can be viewed; the cultural issues including gender situation in Saudi Arabia, the personal views of the owner of the business, extended family circumstances and influence, and the specific industry situations (i.e. competition). All these are a multitude of variables that denote that family businesses (especially small and medium) entities are in a delicate situation and their survival is harder than large entities.

Recently the government has shown willingness to allow women to take active role in certain aspects of the society. For instance, the country has had the first elected woman minister, Norah Al Faiz (Time, 2009), but this is a far cry from the realities in lower levels of the society, where there are cultural challenges that exist. However, it is clear that there are progresses taking place, and this might imply that there may also be positive impacts on family businesses, for instance it was reported in a local magazine that women are becoming proactive in running their businesses and they can also be entrusted with family businesses (Carayannis & Papadopoulos 2011). While the circumstances are changing and may require changes to be initiated even in family businesses, the challenges facing family businesses in a country that has a lot of diversity and influences are many. This is an issue that should be looked into and possible solutions proposed. It is vital for the family businesses to be made stable, and this can be done by ensuring that their internal operations are carefully managed. This study seeks to explore the challenges facing family entities in the Kingdom with the view of proposing solutions that can sustain succession and prosperity of these businesses.

This study will be important in showcasing the need for ensuring that management practices are improved to support development of businesses in Saudi Arabia. The research can provide valuable advice for business owners, government entities and prospective business managers on how to ensure that sufficient measures are taken to sustain the future of businesses in Saudi Arabia.

The aim of this study is, therefore, to examine how succession can be made successful in businesses that are family-owned in Saudi Arabia, especially when the patriarch is not able to run the business any more. Specifically, the study investigates:

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- Whether formal management and planning styles are used in family business entities in Saudi Arabia.
- How business succession is carried out in family businesses in Saudi Arabia
- The extent of influence of socio-cultural issues in managing succession of family run businesses in Saudi Arabia

This study is aimed at filling a gap in the literature by shedding light on managerial issues and the features of family businesses in Saudi Arabia. As family businesses in Saudi Arabia tend to fail as soon as the owner stops active management, the question is, is this a leadership crisis or are there other issues that might be contributory to this problem. A number of views have been expressed and various theories have been given, most of which highlight that the challenges of continuity of family businesses are many.

LITERATURE REVIEW

Family Businesses: The General View

The significant impact of family business on domestic economies is a concept that has been highlighted by many writers, through job creation, innovation and accumulation of capital. Although they agree on the impact of family business, there is no agreed definition of the term family business. There are scholars who define family business as the participation of more than one family member in the operation and ownership of a private capital company. The family members have control over the company which makes it operate actively and the business is closely managed by the family members over generations (Kano, 1995; Carayannis & Papadopoulos, 2011). According to Nakauchi and Wiersema (2014) family business is described as any organization where the decisions and management is affected by the succession leadership of the family member.

There are three approaches that the scholars have used to define the term family business. The first approach presents it as ownership of a project; a business is classified as family if a family has more than 50 percent of its shares (Binder, 1994). The second refers to the emotional perception of the family members towards a business (Daily & Dollinger, 1993). The third approach looks at the management of the business by the members of the family (Tagiuri & Davis, 1992).

According to Lyman (1991) the family-business managers display less reliance on the written policies and have more personal approach and trust their employees to a greater extent. Similarly, McGivern (1989) indicates that the advantages of working in a family business are; good relationships and greater chance of decision

making once accepted by the family members. The challenges of working with a family business include lesser professionalism, no clear lines of authority and no availability of options to non-family members (McGivern, 1989). In relation to conflicts, Kootstra, (2009) established that there are different methods of solving such cases like use of litigation, arbitration and mediation but the most effective one for family businesses is mediation.

In regard to the studies that focus on the Arab family business environment, there are only few available. The study by Afifi (2002) is about the compatibility between the characteristics of family businesses and the requirements of successful management change. The study concluded that the family business is better able to manage change in the instances of equality of conditions than companies without it. The study also states that a family business has a tendency of resisting change.

There are a number of questions that have been discussed in forums, conferences and general debates about Saudi Arabia. The key question is about succession and especially after the break up prominent family businesses in Saudi. There are writers that have pointed out the critical issues that family businesses face and have suggested the need to have reforms through the joint stock ventures to enable them go through the impacts of globalization (Ramady, 2010). It is a fact that most of the family businesses in Saudi started as trading houses and have grown into conglomerates (Sfakianakis, 2009).

There is significant impact of the culture in Saudi Arabia that shapes the managerial practices of the family business. The families in Saudi Arabia live together and conduct businesses together. The bigger families have the ability to own and dominate the private sector within the Kingdom. This means that there is a need to consider the concept of family and its importance in the study about family business in Saudi Arabia. There is need for awareness of the importance of families in daily life. The tradition detects that older and senior people are well respected and hence this should not be counter argued.

According to Tagiuri and Davis (1992), majority of the family business owners desired to see their business transferred to the next generation but it is estimated that only 70% will survive into the 2nd generation while 90% will not make it to the 3rd generation. Succession is a very essential aspect of family business that many families face than other issues. Ward (2011) argues that succession is essential to the existence of the firm with the potential for the success or failure of the business. Succession is defined as the family business that will be passed on for the next generation of the family to manage and control. Theorists also agree that family businesses highly depend on the succession plan (Nakauchi & Wiersema, 2014). However, researchers have pointed out that family businesses do not implement the succession plans and in some instances such firms do not have the succession plan (Ward 2011; Blodgett, Dumas, & Zanzi, 2011).

Management and Planning in Family Businesses

Business sustainability is a major objective that is of as much importance as is the profit making objective. Businesses are created by entrepreneurial qualities that are in an individual(s) and the success of the business depends on how these individuals manage to organize all operations that pertain to the business (Kets de Vries, 2013). According to Dawson (2005) businesses tend to grow when there are adequate measures that guarantee relevance to the market, but also effective management of internal capabilities. Kets de Vries (2013) focuses on the qualities of the owners in determining success of privately owned businesses and indicates that such entities tend to fair very well when the owners are all entrepreneurial. This is a subjective view that places the chances of success purely on individual capability, but ignores the role that business environment plays in the management of family entities.

Morelli and Sangiorgi (2006) studied how family run entities are developed by exploring the approaches used by the managers of these entities. It was found that there is a difference in the way family entities are managed between countries. However, there was general consensus in that the managers who are mainly owners of family run entities tend to engage in different management approaches when running their entities. Drawing from Fayol's principles of management and Drucker's views on scientific management Kootstra (2009) notes that the established views of management are never considered necessary in running family run entities. Planning in a family run business is considered to be a short term task that should not be worrying the owners because they can change their plans depending on evolving situations (Kootstra, 2009).

By the same token, Nakauchi and Wireman (2014) argue that the length of planning and importance that is attached to the same by business managers is linked to the level of power that is being wielded. For instance, owners of businesses can change their plans at whim as a sign of power and authority, and they need not be accountable to anyone. This view is however different from the findings by Kemp (2013) and Nakauchi and Wiersema (2014) who indicate that business owners of family run entities tend to have long term plans that have been developed over the years. The approaches to managing businesses by such owners is therefore often less formal, but very strict on what the owners view to be crucial to their entities.

Wagner-Tsukamoto (2008) posits that the challenge facing owners of family run entities, which informs their choice of management styles, is often linked to their desire to win over their customers, and at the same time have loyal employees. To this extent, business owners may engage in less autocratic approaches when dealing with some of their trusted workforce, but remain more autocratic when dealing with others. This may imply that management and planning of family run entities, is clearly linked to the level of control that is desired. Kootstra (2009) explores the

ways managers change their tact when engaging their workforce. To a large extent, this denotes the desire of these managers to adapt to situations as they develop.

Another view that is linked to family run entities is that in understanding how management and planning of family entities take place, it is necessary to first understand that these entities tend to be sole proprietorships with some degree of partnership (Nakauchi, & Wiersema, 2014). Wagner-Tsukamoto (2008) provides a more elaborate view by stating that family run entities often have one main voice that might overrule all the others and this tends to make such businesses more auto-craic in management and planning because eventually there is no voice of reason, but voice of command. This is not to say that it is a disadvantage to have one main voice. If anything, Kemp (2013) indicates that family run entities are quick in decision making, which is a competitive advantage issue. The challenge, however, is in readiness to include the views of other members of the family in running such entities, a challenge that is difficult to overcome (Nakauchi & Wiersema, 2014).

Succession as a Process

According to the studies of executive succession, succession is treated as a process not as an event (Nakauchi & Wiersema, 2014; Chung & Luo, 2013; Sullivan & Perrenoud, 2012; Frynas & Mellahi 2011). There are particular steps and process before and after the succession takes place. The problems that may occur at every phase of the process can be identified prior to the beginning of the succession process (Brockhaus, 2004). Davis and Harveston, (1998) point out that personal skills, family and development of the organization are very important aspects in the progress of the family business in initial stages and final stages. The life cycle model developed by Churchill and Hatten (1997) explores the succession process from a father to the son in the family business. The model defined four states: the first stage is about the *owner-management* in which the owner is the first and the only member of the family directly involved in the business. The second stage is the *training and development stage* in which the family members especially the children learn the business. The third stage is the *partnership stage* which is between the father and the son and the last stage of succession process is the *power transfer* in which the successor is given responsibility.

Another framework about the succession model is provided by Nordqvist, Wennberg, and Hellerstedt, (2013). In this model, the succession process is broken down in seven stages. This process takes place in the 24 years tenure of the business founder or owner (Handler, 1994). The first stage is *pre-business stage* in which the successor is partially aware of the concepts of the organization. The second stage is the *introductory stage* where the successor is exposed to the family members dynamics and the firm. The *introductory-functional stage* is the third stage where

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the successor moves to part time job at the organization. The fourth stage is the *functional stage* where the successor becomes a full time member of the company. The fifth stage is referred to as the *advanced functional stage* during which the successor assumes managerial responsibilities. The sixth stage is called the *early succession stage* where the successor takes up the presidency of the company and the last stage is the *mature succession* stage where the successor becomes the 'de facto leader' of the firm.

The succession process can also be understood by the theory of George Kelly on the concept of transition theory. The Transition Theory states that a psychological process which is founded on the role of the players' construction systems that there are others who try to join in a social enterprise (Chesson, 2012). This means that each phase is conceptualized and it is associated with the specific role behavior on the side of the founder and the next generation members and the transition from one stage to the other depends on the role behavior transition (Kootstra, 2009; Becker, 2013).

The Role of the Founder

The founder is very important in family business. There are several studies which have focused more on the role of the founder in the success of the family owned business (Block, 2012; Ward, 2011; Bocatto, Gispert, & Rialp, 2010; Zellweger & Sieger, 2012). The main aspect of the founder is the leadership style and how they initiate the successors into the business. The characteristics of the founders normally manifest themselves as a requirement for the achievement and power (Zellweger & Sieger, 2012), together with the internal locus of control and there is reflection of a deep-seated desire for immortality (Bocatto et al., 2010). There are various theorists who have investigated the root of these psychological characteristics of the founders of the business. The family business can be a way in which the founders realize a way of handing conflicts that have developed in them during childhood. The founders find an opportunity to realize power and self-esteem that they were denied while they were still young. There are three significant senses that the founders gain from their business: first, they start business to escape the authority of powerful figures since they have unresolved conflicts with their parents (Lin, 2014). The second sense is since the firm is viewed by the founder as the 'baby' and the 'mistress', the employees are seen as tools for shaping the company. The workers are denied the chance to have the power in the organization. This means that those who are not pleased can leave (Becker, 2013). The last sense is the business represents an extension of himself, the process of succession become mixed up when the founder has personal concerns that he will leave behind (Nakauchi & Wiersema, 2014).

There are other researchers such as Kets de Vries (2012) which provides a clearer picture of the characteristics of the founders and the drive in the entrepreneur. The

study found that people that desire to run their own businesses because of need for control are known to have serious difficulties when it comes to dominance and submission. Such entrepreneurs have a strong distrust of the world around them which is reflected in the way the firm is operated. They work hard in protecting their little world from dominance of the 'evil' forces.

Litz (2012) suggests that the difficulty of letting go of power has been created by the attitude of the founders. They kill the business they have devoted their life to build up by failing to offer a lifeline to the viability and continuity of organization. The owners of the business fail to appreciate the fact that at some point of their life there will be a replacement of their position in the company. If a successful owner of a business who has clear vision and have achieved a lot in the business does not have the courage and the ability to appoint the successor, this will be done by the legal representative (Sharma, & Hoy, 2013).

Berrone, Cruz, and Gomez-Mejia, (2012) argue that most of the founders have the characteristics of appointing successors that are bound to fail. The inadequate successors are selected by the founder who is described as the *false prophet's watchful waiter* and *loyal servant* (Berrone et al., 2012). The false prophets are those people whose competence is not a factor in their selection hence their choice is unrealistic (Litz, Pearson, & Litchfield, 2012). The problem with the founder and the succession process has been a key research concept and many solutions have been offered. The challenge of overcoming the resistance of the founders to hand over to successors can be addressed in different approaches. Litz (2012) suggests that helping the founders to be self-aware is an approach that will encourage them to think about replacement and appointing successors. Another approach is by encouraging the business founders to establish several ventures. The founder can continue to be a founder of a new frontier and give chance to others to control and manage other businesses (Litz, 2012).

Perspective of the Next Generation

The perspective of the next generation family members is also an important aspect of the research in looking at the factors that lead to the success or failure of businesses. The early writing on family business succession placed much emphasis on the concept of the founder and the entrepreneur as the central figures in the business system of the family. The individual family members of the business founder were grouped together into "the family". However, researchers such as Danco (1981) focuses on the spouse while others focus on the relationship between the father and the son. The study by Davis and Harveston (1998) looks at the conflict between individuals in the family which needs to be given more focus today. The study of

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offspring's by Sharma and Hoy (2013) examines the concept of reluctant heir and the entry mode of the business family successors.

Davis and Harveston (1998) also look at individual perceptions of satisfaction their working relationships with the fathers. The findings suggested that working with the father as a boss can be satisfying in much family business. Ward (2011) points out that there is high level of resistance from the second generation managers of being in the company. Davis and Harveston (1998) suggest that the involvement of family members in the business does not mean that it should be the first born of the family; other members can also join family business and manage them.

The theory by Rogal (1989) examines the need to have the family members to plan and make a quality decision about the type of career they would like to pursue. The process of accessing the ability, interests and the successor of the family business is a very crucial role. This cannot be replaced with any other process if the succession has to succeed (Dyer, 2003). The importance of communication and discussion by the family members is very critical regarding the career choice. Pradhan and Ranajee (2012) present a case study about the five family firms to describe three dimensions of sibling association and its importance in the transition process. The three dimensions are; bonding against rivalry, autonomy against dependency and leadership versus paralysis. Appreciating the unique characters, ability and talents of each family member minimizes the level of rivalry among them (Pradhan & Ranajee, 2012). This will create a process of individualism that will enable the members not to be stereotyped but encouraged to work together.

SOCIO-CULTURAL ISSUES IN SUCCESSION

In the previous sections, issues of planning, management, innovation, and family have been examined. These issues inform the broader business environment that an organisation has to run within. The environment of a business can be defined within the political, economic, social, technological and legal framework (Becker 2013). In a society that is influenced greatly by the cultural aspects, the social environment plays a key role in determining how decisions are made and the management issues that are involved. Family run entities have strong influence of the family and thus the social cultural processes.

Kemp (2013) notes that family run entities have a key person who makes key decisions, which are often based on broader social issues such as:

- The role of religion: from a religious point of view, the place of women is clearly stated and they must remain subservient to their male counterparts. Thus, if a family does not have male children, the children of the next im-

mediate family who are male (i.e. nephews) must run the entity (Pradhan & Ranajee, 2012).

- The kind of perception that is to be relayed to the clients: The main issue here relates to the image that the owner of business has created among clients. Family run businesses are identifiable by the patriarch who has personal touch and contact with clients and thus his active participation in business is an assurance to clients (Erdem, 2010). The owner or eldest family male member is therefore the nerve centre of the business, should this person leave by any reason, this might also mean that clients will lose faith in the ability of the business to serve their interests, because, their assurance and contact is gone (Kemp, 2013). Wagner-Tsukamoto (2008) implies that in such a case the issue of developing future leadership arises and the owner of business has to be questioned on their ability to develop leadership. In recent studies, Becker (2013) and Chesson (2012) indicate that business development that is based mainly on social structures is difficult to run and external help needs to be sought by existing leadership.
- The role played by women or men in the business: As discussed in previous sections of this research, in societies that are male dominated, the role of women is never clear because, there is no open acceptance that they are subservient, and yet there are no active steps taken to support the view to the contrary. In Saudi Arabia, the role of women is to be mothers and stay at home. Their involvement in running commercial entities is not considered, thus they remain less influential and never even considered in issues of succession (Wagner-Tsukamoto, 2008). Becker (2013) argues that this is biased leadership that does not benefit from the wealth of a certain section of the society.

Pradhan and Ranajee (2012) suggest that Hofstede's views on cultural dimensions cannot be ignored especially when examining the societies and business entities in the Middle Eastern world. Becker, (2013) and Nakauchi, and Wiersema (2014) indicate that in Saudi Arabia, male dominance is evident in all aspects of life and thus, business decisions and succession are more likely to be made by or benefited from by male members of the family. This situation means that women are not to be considered for any significant position and their risk averse nature is also not to be benefited from (Kootstra, 2009). The fact that women are left out of succession does not have any bearing with their ability but is purely a social dictate issue.

RESEARCH METHODOLOGY

The study adopts a qualitative approach which involves semi-structured, face to face interviews. The sample in this research includes a total of 6 respondents who are managers or executives of various family firms in Saudi Arabia. The qualitative approach is the only way this sample can assist the researchers to achieve the objectives of the study. The researchers strongly believe that reality is made up of events and objects as they are understood and perceived in the consciousness of human beings (Descombe, 1998). This is why the research makes use of family members who are managers or executives of various family firms in Saudi Arabia to gather information and make generalizations.

Respondents were given a copy of the questions to be asked in the interview in order to give them time to prepare and allow for any possible objections or clarifications to be raised and addressed before the interview commenced. This approach helped in putting the mind of the respondents at ease by reassuring them that they were better placed to answer the questions being asked as well as affording them plenty of time to come up with their answers.

Although the interviews followed a pre-determined topic guide, respondents were encouraged to go into as much depth as possible. This led to other questions naturally being raised as more information was provided. As a result of this, each interview lasted for at least an hour and a half, while the longest interview took two and a half hours to complete and some participants were interviewed up to three times.

The data in this study were collected and analysed using an inductive process of recording, tabulation, coding, and constantly comparing emerging codes and categories with data until meaningful ideas emerged (Yin, 2009; Ekanem, 2007). Categories were allowed to emerge according to the topics emphasised by each participant related to succession planning in their organisations. The process of analysing the data began as soon as the researcher started collecting data. It was ongoing and inductive as the researcher was trying to make sense of the data collected (Shaw, 1999).

The data analysis utilised a set of techniques such as content analysis, pattern-matching, and explanation-building technique (Yin, 2009; Ekanem, 2007). Content analysis involved listening to and transcribing the tapes, reading the transcripts to list the features associated with issues of succession planning and establishing categories which were then developed into systemic typology. These features included management and planning styles used in family business in Saudi Arabia, training and qualifications required when choosing managers and successors.

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Pattern-matching technique involved examining whether there were any interesting patterns and how the data related to what was expected on the basis of common sense or previous theory (Yin, 2009). It also involved examining whether there were inconsistencies or contradictions in the narratives between the executives and managers. Explanation-building technique allowed series of linkages to be made and interpreted in the light of the explanations provided by each respondent (Yin 2009; Ekanem 2007). The aim was to build a general explanation based on cross-case analysis.

ANALYSIS OF FINDINGS AND DISCUSSION

The business industries that were interviewed include construction (brick lying), hospitality (restaurant, hotel), oil equipment, and academic institution (computer college). The need to gather data from respondents representing various industries was crucial, because the research examines the situation of family businesses in Saudi Arabia and thus it would be representative to collect data from various respondents instead of one line of business. The profile of the case study firms is as shown in Table 1.

The respondents were highly educated with diplomas, bachelor and masters' degrees, although the qualifications were not all related to what they were doing. The respondents had sufficient managerial experience. Based on the information given above, only one respondent had experience of less than 10 year. The others had more than ten years' experience and this is a good thing for their businesses. However, considering that some had qualifications that were not in line with their work, experience seem to count more in making them either effective or otherwise in their management and leadership roles.

Table 1. Summary profile of companies

Respondent	Industry	Who was Interviewed	Number of Interviews	Qualifications	Years of Managerial Experience
A	Hospitality	Owner- manager	2	Diploma	< 10
B	Construction	Manager	1	Diploma	10-15
C	Academic institution	Owner-manager	2	Bachelor degree	10-15
D	Hospitality	Manager	3	Bachelor degree	15-20
E	Restaurant	Owner-manager	3	Bachelor degree	>20
F	Oil equipment	Owner-manager	1	Masters' degree	>20

The Generation of Business

The first open ended question wanted to know the generation in which the current managers belong in order to understand the success or the period that the company has been in operation. Respondent A and D were from different business sectors and the organisations that they work for have been in place for many years and are family owned business. Respondent E stated that he was the fifth generation in the business and the family. This means that there have been five family generations which have been able to guide through the family. Respondent B was the second generation but the company has been in place for a long time because there were many successors within a single generation. Respondents C and F were from the third generation of their companies.

Training and Academic Qualifications Required When Choosing Managers and Successors

The questions in this section were aimed at looking at the management styles used in family businesses in Saudi Arabia. Most of the managers trained in areas that are not related to the business. There is no evidence of management training. This was captured from respondent C who stated that:

Most of the family members do not go for any formal training or management training. They just learn from others at place of work. There is no academic qualification in the management of family business

This is the perspective that was agreed by all the respondents as emphasised by respondent E:

Being a family member, especially male first born, is enough qualification (laughing). I know some people may not agree with me, but I took this from my father and I have worked here successfully for a long time. So I think it is important that the business is given to the children who show interest in running it

Similarly, respondent D remarked: “qualification and training of the family member is not key aspect in succession process.” However, there were those who felt that there is a need to have training in the area of management and the speciality area of family business because it will help in proper management. This was a comment after a follow-up question on the perspective of the respondents on academic qualification.

Performance of the Family Members in the Company

It was noted that it was not easy to monitor the performance of family members because they are perceived to be “above the law” as explained by respondent A:

Family members do not operate within the policies and the regulations of the company in many occasions. This is because they are guaranteed their job in the company or other family business.

Another respondent (Respondent C) commented that “performance is not equal to promotion or salary compensation for family members.” These respondents saw performance as something that is not considered for family members either in managerial positions or just as employees.

The Succession Plans Put in Place

This was the second objective of the study which sought to establish the succession processes put in place by the family business in Saudi Arabia. The respondents stated that the key strategy they use in the business to ensure that it is sustainable in the next generation is to ensure that the culture that was established by the founders and the forerunners of the business is maintained. The respondents further pointed out that having trust and cohesion in the family ensures that the members are ready and willing to work together. This means that they are working hard to ensure that there is peace and cooperation among the family members. There were other aspects that were outlined to ensure that the company lives beyond its generation such as training and mentoring of the possible successors of the business.

Respondent A clearly pointed out that the main reason why businesses fail is because of lack of or poor succession plan. The respondent asserted that most of the family business in Saudi Arabia did not have a succession plan while others have already a designated person to take up the business such as the male member and the first born of the family. The respondent stated that having a clear succession plan that gives every member of the family an opportunity to become the CEO of the company ensures that the designated person work hard and show the interest to take up the business.

Selection Procedures for Family Members in the Organization

There was a general agreement by respondents that there is a need to have proper plans for succession of the business. This view was captured from the interview with Respondent B who stated:

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In my view, planning should be done before hand. You cannot just pick someone because he is a member of family and put them to business, they can fail you.

Similarly, Respondent C stressed that ‘without planning, failure is possible any time. For instance, I have heard of companies where there was no planning and for this reason the persons who were picked for the job did not know what to do’

However, respondent A stated that there was no proper plan for succession of his business but only the culture where the first male child of the current CEO takes up the family business. He emphasised:

We know the male child will run the business. So, any other plan may not succeed. But I am saying that the male persons who are chosen should be trained in business from an early stage so that they can be in a position to do well.

This means that there are no processes of carrying out succession processes in his organisation. Other respondents, E and F were of the same opinion, but they stated that it would be good to get consultants to run the business. Their view thus advocates planning for external help where necessary. Respondent D indicated that the business should decide what to do when the time comes and should not rush to any unrealistic conclusions about giving the children the work or leadership if they are not ready. He commented:

I cannot put someone in business just for the sake of making them leaders because they are my family. This is a no-no for me. I must always ensure that the person who is chosen is one that can actually do the right thing and can be fully accountable to me.

Similarly, Respondent E stated: ‘I consider that any business that is successful has good planning in place to guide all that is taking place. If you are a business person and you do not have plan, then what kind of business are you running? I have been planning everything that we do, this is my policy’

Influence of Socio-Cultural Issues

One of the research objectives was to establish the influence of socio-cultural issues in managing succession of family run businesses in Saudi Arabia. The concept of cultural patterns and influence of the performance of the company was also a key objective of the study. Respondent A pointed out that the cultural aspect in which women are seen as those who can only take care of the family and children impacts on the success of the business. Women such as spouses of the founder or the leaders of the business do not offer any contribution to the business. They are not given

leadership or even roles as employees in the business. The female members of the family are not considered in the business succession processes in Saudi Arabia. The respondent also stated that female are seen as objects and they are not respected at work place. This hinders the success of the business. If the family business owners do not have a male child, he will go to the level of marrying another wife so as to get one. The respondent further stated that even the female members of the family who have been to school are taking up training in field considered suitable for female such as religious studies, nursing, and so on. Hence, they are not trained to take up managerial roles in family businesses.

Respondent A pointed out that most businesses are cultured in a manner that the first born male child of the family is the rightful successor of the business. He stressed:

As you know in Saudi Arabia, it is the male children that inherit. They are thus the ones to run the business. However, things are changing, but for now, that is the situation.

This means that other family members already know their fate because they do not have chances of becoming the leaders of the company. The family business is likely to fail if the designated successor does not have the competency and the interest to run the business.

The Sources and Impact of Family Conflict on Succession Planning

This question wanted to establish the impact and the source of conflict in family business. Most of the respondents stated that extended family where the owner has more than one wife brings conflict. Respondent A, stated that:

Extended family always struggle on who to inherit the company and how they should be treated but this should actually not be an issue that divides families, but what can you do. In my understanding and in our culture and religion, the family must be looked after, so if my father had two or three women, all children are his and sharing should be done in a good way especially if a business is at stake

The respondents also observed that being at the top of the company is the ultimate goal of any family member hence every person strives to be at the top of the company. There is conflict in the family if the current CEO favours particular individuals in the family. Family conflict can result from outsiders such as the advisors and the board members. The board members may make a decision in the

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best interest of the company which may affect the family fabric. For example, as indicated by Respondent B:

If a particular person who is a designated successor of the company is left out of key managerial appointment may bring power struggle in the family.

There are other sources of conflict that were mentioned in the interview such as talents and shortcomings or weaknesses of the individuals being emphasized over the help they can bring to the family. The current people in position who do not want to let go of the company leadership even if their retirement age has come are also a source of conflict in the company. They may be grooming their own children to take up the business operations that are still young and not able to take over the business. The brothers and other family stakeholders such as cousins may want to take over the company. This brings issues which may result into family business failure as pointed out by Respondent C:

I think it is vital that an organisation knows who is to succeed the owner when the time comes. This should be within the articles of running the organisation. Failure to do this might result in the failure of the organisation.

The impact of family conflict was well presented during the interviews. The respondents stated that there is bound to be “failure and poor performance” when there is family conflict. These were the terms used by all the respondents.

CONCLUSION

The main issue being discussed in this research has been the question of dealing with business failure in Saudi Arabia, when the owner has left or is not able to continue running the entity. It is a major problem that has plagued the country for a long time, and the researchers were motivated to examine what can be done to deal with it. Business management and sustenance of the business are important issues that any economy needs. In Saudi Arabia, the patriarchs tend to consolidate power and know all secrets about the business, yet are unwilling to pass these to the generations that follow. In such instance, when the patriarchs are not able to manage their entities, business failure is imminent and this leads to poverty in the family and in the whole society, this is an issue that needs to be addressed.

There were three fundamental research questions that the study sought to address. The question about managers of family business following formal management style was answered in which most of the managers are not trained as managers.

They are simply selected to lead in which they learn while working. There were few managers who go to school and take up management and leadership training. The succession plan of the family business was also a major research question that has been addressed in the study. The study has established that most of the family businesses do not have a proper plan.

In this study, it was found that there are many factors that contribute to such challenges, and these have to do with trust, the subservience of women in the society and also challenges of conflict of interest between children and the older family members. These are issues that cannot be ignored, and solutions should be identified. It was thus necessary to gather data from family owned businesses, by interviewing owners and managers of businesses that are family owned and drawn from various industries.

Implications of the Study

This study has established that there are a number of challenges facing family owned organisations in Saudi Arabia. It is clear that most of the family owned businesses share one common problem and that is of perpetuity, but this problem is a culmination of a number of challenges, i.e. trust, lack of commitment by children, and the male society challenge.

One of the main challenges facing family businesses in Saudi Arabia has been found to be the problem of trust, where the business owners who are generally older members of the family are not keen to entrust the entity to the younger members of their families. In other words there is generational mistrust between the old and the young, with the old feeling that the young or their children are not up to the task. This makes them (the owners) to consolidate power and knowledge about the business to themselves and no one else.

With such a situation, it becomes difficult to provide any leadership or guidance that sustains the business because skills are not passed on. For instance, the owner knows everything about the business but the younger ones have no clue about anything. This jeopardises the future of the business if all of a sudden, it has to fall in the hands of the children. There is need to ensure that trust is built. This is no easy task, and it calls for change in perception among the owners about what their children can do.

Saudi Arabia is male dominated and this has been for a long time. Women tend to be subservient to their male counterparts and are not allowed to do much. This situation has caught the attention of the international community and there have been effort to deal with it. Recently, the King named first woman cabinet minister, and this is a step in the right direction. Much have to be done to provide women with the kind of support that they need to do their businesses. There is need to ensure that a

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space is opened for women to run businesses. In some families where women are the only children or are old members of the family, the business can easily pass to uncles and nephews who may not have any desire to run such businesses. There is need to have a paradigm change in the society to include women in running businesses. There are success stories about few women in Saudi Arabia and this implies that given the chance, they can really embark on beneficial business activities for their families. It is also evident that women are keen in doing something that is of economic benefit and are also risk averse, a quality that can make them to be good at running their family entities to greater benefits.

It is also important that in some circumstances, businesses can be placed under the leadership of a professional management organisation. It is evident that succession is a major challenge because children may also not wish to run the businesses or know how to do the same. In such a case, the businesses may fail. It would be good if a consultancy organisation is entrusted with the business in a clearly given agreement so that the continuity of the business can be guaranteed. This again calls for the owners of the businesses to adapt and accept that the business can be entrusted to others.

In families where there are young children, this can be a very good option, and the agreement can state that the children can be trained and be allowed to take over the management and leadership after a certain age, which will be beneficial to them and to the business as well. There are a number of professional consultancy bodies in Saudi Arabia that can be contracted for this purpose. The government can also seek to support this initiative by creating business support departments in every city that can help support the growth of businesses.

One of the challenges that were identified in this study is the fact that the owners tend to consolidate power and knowledge and are reluctant to pass these on to their children. This poses imminent threats to the entity because the children cannot then run the entity. It would be important to groom the children in the line of business, i.e. even occasionally allowing them to come to the shop-floor at an early age. This will instil in them the business acumen that they will require when the responsibility is left to them.

While it is not good to patronise the children, the owners can discuss the interests of the children and those who wish to learn business management can be trained, so that they can come out of university and schools with the knowledge and skills that are in line with their business areas, and be able to take over the entity.

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Family businesses are prevalent in Saudi Arabia and there is need to ensure that in the curriculum at schools, there is an inclusion of business management modules. In so doing, it would be possible for the children to learn how to run a business or some may develop interest in the same and will focus on running their businesses. This should be encouraged and it calls for the government through relevant ministries to roll out plans to include modules of business and entrepreneurship.

Limitation of the Study

The study has several limitations which suggest the implication for further research. The major limitation of the study is the extent to which the study can be generalised to wider population of family businesses in Saudi Arabia. Due to the relatively small sample of respondents who took part in the study, it would not be wise to assume that their views represent that of the general population at large. It would require a larger sample for the views collected to represent the views of family businesses in Saudi Arabia.

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